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the position of that body. The author declares that the Supreme Court of the United States has held that

competition, . . . even when between carriers subject to the Interstate Commerce Act, creates a dissimilarity of circumstances sufficient to justify a greater charge for the shorter distance [and] that the presence of competition is in itself a valid reason to regard the prohibitory part of the fourth section as of no effect.

After this it is not surprising that the author, becoming indignant, proceeds to declare that "our courts have decided that exemption from the fourth section is really to be granted *as a premium on competition*." These italics belong to Mr. Stilz. Of course the Court has said no such thing. What it did do was to declare, very properly, that such competition *might* constitute the substantial dissimilarity of circumstances and conditions required by the law to justify higher charges on intermediate traffic, and should therefore be considered in determining whether the section had been violated.

Taken in its entirety, the work is disappointing, though it will have some utility until it is replaced by something better. The history of railway pooling, of the agreements to which it was intended to give effect and of the arrangements that have been attempted as substitutes since pooling became illegal, must yet be written (neither Mr. Langstroth nor Mr. Stilz appears to have heard of any pooling arrangements since 1887); and it merits the attention and arduous endeavor of the best equipped among American students of industrial relations.

H. T. NEWCOMB.

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The New Trades Combination Movement. Its Principles, Methods and Progress. By E. J. SMITH. With an introduction by the Rev. J. Carter, M.A. London, Rivingtons, 1899. — 96 pp.

The movement which this book describes seems to involve a combination of the trust and the labor union. Its purpose is to maintain prices and secure profits to the manufacturer. To this end a system of cost taking must be agreed upon by all the manufacturers in a given trade. Having agreed upon the normal cost of production, each manufacturer agrees not to sell below cost. In order to enforce this agreement, the labor unions are brought into the combination, the manufacturers agreeing to employ none but union laborers and the laborers agreeing not to work for any employer outside the combination. Under this arrangement any

manufacturer found guilty of violating his agreement by selling below cost will be expelled from the organization and will find himself unable to employ union laborers. In return, the laborers are guaranteed a scale of wages agreed upon, no reduction of wages or other change disadvantageous to the laborer being allowed. These are the essential features of the scheme, as nearly as they can be understood by the uninitiated reader.

The author is himself the originator of the movement, which began in the metallic-bedstead trade and has since spread to several others. While he professes to give a plain account of the scheme, there is very little that is descriptive and a great deal that is polemical in the book. Basing his argument on the proposition that it is wrong to sell below cost, which is manifestly a sound proposition, he has little difficulty in justifying the main purpose of the movement.

He is less fortunate, however, in defending it against the criticism that such a combination will not be content with reasonable prices. Here he simply demands proof that any trade organized on this plan has ever charged exorbitant prices. This impresses one as a shrewd argument, but not altogether a satisfactory one, since none of his critics is likely to be in a position to prove such a thing, even if it were true. He is still less satisfactory in meeting the objection that such a combination will be slow and reluctant in adopting new and cheaper methods of production.

Upon the subject of foreign competition the author is quite satisfactory and has little difficulty in showing that the combination is better able to meet the foreign competitor than a group of isolated producers; but, in showing how the combination may drive out the foreign competitor by underselling and by discrimination, he also reveals the teeth and claws which may be used in the destruction of the independent rival who proposes to start in business for himself in the home country. In short, such a combination will have and use all the weapons of the trust, with the additional advantage of having the labor unions in the combination with it.

In discussing the problem from the standpoint of the consumer, the author falls into hopeless confusion. What, for example, could be more naïvely suggestive of Bastiat's story of the broken pane than the following passage (pp. 88, 89) :

The persons who primarily reap the benefit of combination are supposed to be the manufacturers and the work-people. But are these all? The manufacturer who makes profits pays his way and does not become bankrupt. Evidently the business people with whom he deals share the

benefit of his improved position. Moreover, he has more money to spend, and he spends it. He will call in an accountant to make a good balance sheet, but finds that he cannot afford anybody to make him out a bad one, until, indeed, it comes to the worst, when he must do so *once*. He will be more willing to engage a solicitor to draw up an agreement, instead of depending upon his own limited legal knowledge. He will not be so particular about calling in a doctor to the members of his family when he is in a position to pay him. In fact, it is well known that everybody is "better off" when trade is good than when it is bad. This means when *profits* are good. If fair profits could always be obtained, the same result would always follow. That is to say, fair profits must benefit many people besides the manufacturer who makes them. The same argument applies to the work-people. They pay their rent instead of moving by moonlight from one house to another. They buy more furniture, better clothes, better food, and more of it. The shopkeepers are benefited, and the workmen's families are made more comfortable. Commercial travellers, too, get more commission on high prices than on low ones, and clerks, foremen and managers get increased salaries with improved circumstances. If all these people are taken away from the consumers who are supposed to suffer by combination, it is a difficult matter to define who is left.

Again, what can be more crude or brutal than the following :

As a matter of fact the consumer holds the power in his own hands. He can insist upon fair treatment, and he does. He often complains without a cause, but if he has a cause he also has a remedy. He can make for himself.

It is easy to see that under the modern factory system such a remedy in the hands of the consumer is useless; and the author's idea of the exorbitant price of a commodity must be a very liberal one, if he intends simply to keep within such limits as will prevent the consumer from manufacturing his own goods. Of course the author makes a show of reasonableness, in basing his whole argument on the fundamental proposition that it is wrong to sell below cost. This position is capable of justification on most careful economic analysis; for a manufacturing community is simply consuming its patrimony and destroying its capital, if the manufacturers are forced to sell below the cost of production. But what we are specially interested in knowing is: What guaranty have we that the interests of the consumer, as well as those of the producer, will be carefully guarded when the producer is himself at once the judge, the jury and the executioner? If Mr. Smith can satisfy us on this point, we can have very little to say against the movement.